ANOTHER SPECIAL BENEFIT FROM THE
CALIFORNIA PARTNERSHIP FOR LONG-TERM CARE

ASSET PROTECTION: A SPECIAL BENEFIT CREATED FOR CALIFORNIANS

Information you need to know when considering the purchase of long-term care insurance for yourself or family members

California Partnership for Long Term Care

California Department of Health Services

A UNIQUE FEATURE ONLY AVAILABLE IN POLICIES ENDORSED BY

THE CALIFORNIA PARTNERSHIP FOR LONG-TERM CARE

A PROGRAM OF THE CALIFORNIA DEPARTMENT OF HEALTH SERVICES

This booklet will provide you with information regarding Medi-Cal Asset Protection, a special feature available for Californians who purchase insurance policies certified by the California Partnership for Long-Term Care. The feature is offered to you at no additional cost only through Partnership policies.

You can order other brochures from the California Partnership for Long-Term Care, which contain valuable information about other special features of Partnership policies.

California Partnership for Long Term Care

California Department of Health Services

"Failure to prepare for the cost of a nursing facility stay or other long-term care is the primary cause of impoverishment among the elderly."
– The American Health Care Association, 1997

How can long-term care insurance be of benefit to you?

One of the most important reasons to buy long-term care insurance is to ensure you will be reimbursed for most of the costs of long-term care. If you must have assistance to perform the activities of daily living, such as bathing, dressing, or eating, whether provided in a nursing home, residential care facility, or in your own home, the costs will be high. By planning now for your future long-term care needs, you can be free from financial dependence on your loved ones and still meet your long-term care needs.

Another important reason to buy long-term care insurance is to protect your assets, so you will not become impoverished by paying the high cost of long-term care. You may also wish to protect your assets in order to leave them to your loved ones or, perhaps, a charity.

Medicare (including Medigap) and health plans pay very little, if any, of the costs of long-term care. Long-term care can be expensive! While Medi-Cal pays for long-term care, a person must have spent most of their assets to qualify. In 2001, one year of nursing home care costs an average of $51,100[1]; a cost that will double about every 14 years if nursing home costs increase by just 5% a year.

[1]*Aggregate Long-Term Care Facility Financial Data for California Dec. 31, 1998-Dec. 30, 1999*, Office of Statewide Planning & Development (OSHPD). Cost projected by The California Partnership for Long-Term Care, assuming 5% average annual inflation.

Moreover, care at home can be as much or more expensive. To protect yourself, and get the care you want, you should buy high quality (i.e., with built-in inflation protection) long-term care insurance.

Your accountant, banker or financial planner calls your possessions "assets," including your home, other real property, automobiles, any savings, investments and most annuities. The California Partnership for Long-Term Care calls them your life's work. The asset protection offered in Partnership long-term care insurance policies is a unique feature that helps people maintain ownership of their assets.

What is Asset Protection?

Medi-Cal Asset Protection is **available *only* in Partnership policies** through a Partnership between the State of California Department of Health Services and select insurers who offer long-term care coverage. The asset protection feature guarantees you get to keep a dollar's worth of assets for each dollar your Partnership insurance policy pays out for long-term care services. This means you can purchase a Partnership policy equal to the amount of assets you wish to protect. If you use up your long-term care insurance benefits and still need long-term care, you may apply for Medi-Cal. When qualifying for Medi-Cal, you are entitled to keep assets Medi-Cal normally allows, plus assets equal to the amount the Partnership policy has paid out in benefits for your care. The State of California will also disregard these protected assets when it recovers claims paid by Medi-Cal on your behalf.

How much insurance is enough?

It depends on your financial situation. You should consider the amount of your assets, the amount of assets you want to protect and the level of premium you can afford to pay.

All quality long-term care insurance offers some protection for your assets, particularly if you buy insurance that will pay for your care no matter how long you may need it, which is called "lifetime" coverage. A lifetime policy with built-in inflation protection is the right choice if you have extensive assets and can afford the cost. Your benefits will never run out and your assets will be protected against the cost of an extended illness. But, many people cannot afford to pay the higher premiums for a quality policy that includes inflation protection and also has lifetime coverage.

Of those who enter nursing homes, 55% will have *total lifetime use* of *at least* one year and 21% will have total lifetime use of five years or more.[2] These figures do not include the time that these people are likely to have been in their own homes receiving formal paid long-term care as well as unpaid care from their families, friends and charitable or volunteer organizations.

Medi-Cal allows a single individual to keep no more than $2,000 in non-exempt assets.[3] Many people have modest amounts of assets, somewhere between $30,000 and $250,000. When middle income Californians inquire about qualifying for Medi-Cal, they find they are not eligible for assistance in paying their long-term care costs because they have too much in assets. Before Medi-Cal will pay

[2] *Lifetime Use of Nursing Home Care*, Kemper & Murtaugh, The New England Journal of Medicine, 1991; 324(9): 595.

[3] Your primary residence and some additional minor assets are exempt from Medi-Cal Eligibility, (e.g., burial fund) but subject to Medi-Cal Estate Recovery.

for nursing home or other long-term care services, an individual has to demonstrate they have used all available assets to pay for their own care.

What should middle income Californians do?

The answer is simple: buy a Partnership policy with a premium you can afford and total benefits at least equal to the amount of assets you want to protect. The unique Medi-Cal Asset Protection feature of Partnership policies allows you to get lifetime protection of your assets even if you cannot afford a policy with lifetime benefits. Actually, a Partnership policy protects your assets *beyond* your lifetime. Upon your death, your assets are still protected from Medi-Cal Estate Recovery.

Want protection of *all* your assets? Buy a Partnership policy with a total coverage amount equal to your assets. But if you can't afford the premiums to protect *all* your assets[4], you can purchase a policy that covers just some of your assets. You control the cost of your policy by deciding how much you want to cover. To keep your nest egg intact, you should buy coverage at least equal to the assets you choose to protect at a premium you can afford. In addition, the amount of assets protected automatically increases at the 5% annual compound rate. If your non-exempt assets, at the time you apply for Medi-Cal assistance, are greater than the amount of benefits the Partnership policy paid out on your behalf, you'll have to "spend-down" these unprotected assets to qualify for Medi-Cal. A Partnership policy

[4]It is recommended you not spend more than 7% of your net income in premium payments for long-term care insurance.

only helps to protect your assets, not your income. When you receive Medi-Cal services, you still may have to apply a portion of your income to the cost of your care.

There are policies available to suit most needs and financial situations. The chart below illustrates the total amount of benefits and the maximum Medi-Cal Asset Protection you could receive when policies with different durations pay benefits. The daily benefit of the policy used in this example is $140 per day, the average daily cost for care in a California nursing home in 2001.

POLICY CHOICES - DAYS OF CARE COVERED	TOTAL BENEFITS PAYABLE AND POTENTIAL ASSET PROTECTION	
	Year Policy is Purchased	20 Years after Policy Purchase*
365 – 1 yr coverage	$51,100	$135,583
730 – 2 yrs coverage	$102,200	$271,167
1,095 – 3 yrs coverage	$153,300	$406,750
1,825 – 5 yrs coverage	$255,500	$677,917
Lifetime	Unlimited	Unlimited

* *Annual 5% compound increase*

The chart also shows that the total value of benefits the policy could pay and the potential Medi-Cal Asset Protection both automatically increase by 5% each year due to the built-in inflation protection feature in all Partnership policies. The inflation protection feature helps your policy benefits keep up with the rising cost of care. This also helps the amount of your asset protection keep up with increases in the value of your property and investments. For more information please contact a Partnership trained agent in your area or visit The Partnership's website at www.dhs.ca.gov/cpltc.

This asset protection feature is only available with the purchase of a Partnership policy. It enables you to purchase less than lifetime coverage with the peace of mind that, even if your insurance benefits run out while you still need care, you won't be impoverished. The assets you choose to protect are yours to keep or to leave to your heirs.

How does Partnership Medi-Cal Asset Protection work?

When you need care, your Partnership-certified private long-term care policy pays for your care in the same way as a regular policy. The difference between a Partnership policy and a regular policy occurs if and when you run out of insurance benefits. If you exhaust the benefits of a regular policy, you must use your assets to pay the cost of any additional care you need. If you exhaust the benefits of a Partnership policy and still need long-term care services, you can apply for Medi-Cal to pay those costs and keep the assets you protected when you purchased your Partnership policy.

Protect everything you've worked for…the tale of Evelyn and Janet

Evelyn and Janet are both healthy 65 year old Californians. They both have $102,200 of assets in the bank. Both own a house that is all paid for. They have the same amount of money budgeted to spend for long-term care insurance. They both buy long-term care insurance policies with two years of benefits with inflation protection. Evelyn buys a Partnership policy while Janet buys a regular long-term care insurance policy with inflation protection.

Twenty years later at age 85, Evelyn and Janet both require long-term care and begin to draw their insurance benefits. During that twenty years, the price of long-term care services in a nursing home has increased to approximately $135,600 per year in California.[5] Both women require care for several years. Their insurance benefits run out after two years. Each woman has received over $271,200 in benefits.[6] Up to this point, their long-term care costs and benefits have been identical. With their insurance benefits exhausted, they both turn to Medi-Cal to help pay for the additional long-term care they need.

Because Evelyn's Partnership policy paid $271,200 toward her care, she is allowed to keep $271,200 in assets, plus the $2,000 Medi-Cal allowance when her Medi-Cal eligibility is determined.

Sadly, Janet did not buy a Partnership policy. Medi-Cal requires her to spend all of her assets to pay for the care she needs, leaving her with the standard Medi-Cal reserve of $2,000 (in 2001), before she is eligible for Medi-Cal.

Both are required to spend part of their monthly income to help pay for the cost of their care and both women are allowed to keep their homes at this time.

Both women received long-term care services for the remainder of their lives during which time Medi-Cal paid out $163,500 for each of them. At the time of her death, Janet's savings remain $2,000 and her home is valued

[5] Assumes costs will increase at a compound rate of 5% annually. The actual costs in 20 years could be more or less than this amount.

[6] See The Partnership's Inflation Protection brochure for an explanation of how the value of the original $102,200 policy grew over time.

at $160,000. To recover the cost of the care it paid for, Medi-Cal places a claim on Janet's home and the $2,000 savings, leaving only a burial policy to cover her funeral expenses. Evelyn's home is also valued at $160,000, and she has $100,000 in savings, all of which are protected, because she received $271,200 in asset protection from the benefits paid by her Partnership policy. Medi-Cal places no claim against Evelyn's estate, allowing Evelyn to leave her home and savings to her heirs.

Janet and Evelyn paid the same premiums. They received the same amount of long-term care. It just cost Janet $271,200 more to get her care.

How can you get the care you need without spending the assets you were trying to protect when you purchased your long-term care insurance?

The answer: Purchase a long-term care insurance policy certified by the California Department of Health Services with benefits equal to the value of the assets you want to protect. Only Partnership policies bear the logo of the California Partnership for Long-Term Care.

To learn more about the **Asset Protection** feature of the Partnership policies and other quality features endorsed by the State of California Department of Health Services, we urge you to speak with a specially trained representative from one of our partner companies. Please contact the following companies at the toll-free phone numbers listed below:

Bankers Life and Casualty

(888) 2828-BLC

CNA Insurance

(800) 262-0348

GE Financial Assurance

(800) 354-6896

John Hancock Life Insurance Company

(800) 377-7311

New York Life Insurance

(800) 224-4582

Transamerica Occidental Life Insurance Company

(800) PYRAMID

CalPERS Long-Term Care Program

(800) 205-2020

NOTE: The CalPERS (California Public Employee's Retirement System) Long-Term Care Program is an additional option for all California public employees and retirees – that includes city, county, and state employees, school teachers, legislators, judges, University of California employees and retirees. Also, eligible to apply are public employees' and retirees' spouses, parents and parents-in-law. Call CalPERS for open enrollment period dates.

To get more information about long-term care insurance or to obtain the name of a specially trained long-term care insurance agent in your area, call the numbers above. Or call the Health Insurance Counseling and Advocacy Program at 1-800-434-0222 and ask for the Department of Aging's consumer booklet titled, *Taking Care of Tomorrow*.

THE MISSION OF THE CALIFORNIA PARTNERSHIP FOR LONG-TERM CARE

The Mission of the California Partnership for Long-Term Care is to increase the number of middle income Californians who have quality, long-term care insurance coverage that protects them from impoverishment.

The California Partnership for Long-Term Care
is a program of the California Department of Health Services

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CALIFORNIA DEPARTMENT OF HEALTH SERVICES

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